THE MINISTER OF FINANCE (SHRI YASHWANT SINHA): (a) and (b) The High Court at Calcutta had directed the Central Government to take immediate steps to declare Calcutta as 'A-l' city if it fulfils all the necessary conditions. The Govenment have issued orders on May 18, 1998, classifying Calcutta as 'A-l city for the purpose of grant of HRA to the Central Government employees.

Effect of War-Cries on Investment in the Sub-Continent

*394. SHRI SANATAN BISI: Will the Minister of FINANCE be pleased to state:

(a) whether war-cries on both sides of the border have made the sub-continent risky for all investments, domestic and foreign; and

(b) if so, to what extent it will affect investments sector-wise and state-wise?

THE MINISTER OF FINANCE (SHRI YASHWANT SINHA): (a) and (b) A certain degree of uncertainty has been created by sanctions and suspensions of external assistance. It is, however, too early to indicate any effect of this on investment, partly because precise nature of the sanctions/suspensions is unclear. The policy of the government is to ensure that management of the economy creates a sense of confidence in domestic and foreign investors and in international financial markets. This would ensure that the impact of uncertainty would be minimised.

Amount Written off as Bad Debts by the Nationalised Banks

*395. SHRI PARMESHWAR KUMAR AGARWALLA: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that nationalised banks have been allowed to write-off outstanding bad debts;

(b) if so, the criteria and bank-wise amounts written-off during each of the last three years;

(c) the top five companies/individuals in case of each nationalised bank in whose cases debts have been written off during each of the last three years, alongwith their original outstanding amount, amount written off and the present outstanding amount, year-wise; and

(d) the system of fixing responsibility and associated accountability for such outstanding amounts in different banks?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI R. IANARTHANAM): (a) and (b) The introduction of Financial Sector Reforms and revised guidelines have necessitated banks to desist from the practice of taking unrealised income in their books and also to provide against possible loan losses. Due to their increased sensitivity to credit risk, banks are laying emphasis on reduction of NPAs. The banks have broadly two alternatives for recovery of bad loans:

1. File suit which may take years to settle and even if banks get decree in their favour, recovery of the dues may be time assuming. The recovery of dues after effux of much time may not be commensurate with legal and other expenditure incurred on recoveries;
2. Negotiate with the borrowers to realise maximum possible amount even if they have to sacrifice certain dues such as interests debited to account after it has become NPA etc. by entering into a compromise and write-off the amount sacrificed. Except in very rate cases, banks do not permit write-off of the principal loan amount.

Banks have been writing off bad debts generally where the prospects for recovery are remote, no tangible/realisable securities are available to cover the debts, legal action takes unduly long period, the